Average household debt in UK reaches more than £13,000

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Total unsecured debt in the UK reached an all-time high of £349 billion in the three months to the end of September 2016, according to research by the Trades Union Congress (TUC).

Unsecured debt includes credit card debt, payday loans and student loans, but not mortgages. Based on figures from the Office for National Statistics (ONS), the findings suggest an average household debt of £12,887 - that is a 27.4 percent share of average household income.

Even excluding student loans, which have grown rapidly over the past few years, the total for unsecured debt stands at £192 billion, according to the Bank of England - the highest point since December 2008. This figure has been climbing at a yearly rate of 10 percent for the past six months. Last November, Mark Carney, governor of the Bank of England, warned that credit card lending was at a record level and that unsecured debt was rising at its fastest rate in 11 years.

Figures produced earlier in January in the Family Finances report of UK multinational insurance company, Aviva, revealed that household debt has soared by two-fifths in just six months. Average debt now stands at £13,520--a surge of £4,000 from £9,520 last summer. This is the highest level recorded by the quarterly published survey for two and-a-half years.

This rapid increase falls into a broader pattern of growing indebtedness among the population. As the *World Socialist Web Site* reported last year, UK household debt (including mortgages), which ballooned in the late 1990s and 2000s and then plateaued following the 2008 crisis, has been increasing again over the past six years. In November 2016, total debt reached a record high of £1.5 trillion; an average of £30,000 per household or 113 percent of average income.

These figures sharply reflect both the social catastrophe experienced by millions of workers in the UK and the depth of the economic crisis in which the British and world economy remains mired.

Since the financial crash of 2008, families in the UK have suffered a sharp decline in wages, comparable only to Greece, and tens of billions of pounds in cuts to public spending and welfare. The ongoing restructuring of the labour market towards precarious, low-paid employment has contributed to and exacerbated this decline.

As a result, increasing numbers of people are being forced to take on greater and greater debts in an attempt to avert a collapse in their standard of living. Debt counselors report that many debtors are now using credit cards to pay for essential living costs, rather than luxury items.

The response to the debt crisis from the Bank of England reveals the criminal deception at the heart of those running the financial system. Andy Haldane, the Bank’s chief economist said, "Interest rates are still very low, and are expected to remain so for the foreseeable future, so there are fewer concerns on debt servicing than there were in the past... There are reasons not to be too alarmed about it ticking up, but it is absolutely something we will watch carefully.”

Interest rates remain at very low levels due to the continued policy of quantitative easing (QE)--the pumping of vast sums of money into the economy to stimulate investment and consumer spending by lowering the cost of borrowing. The fact that the real economy remains stagnant, however, is proof of the ultimately reactionary character of QE. Far from boosting “economic recovery,” QE in the UK, as everywhere else, has only provided additional funds for the parasitic and outright criminal speculation that sparked the financial crisis in the first place.

Moreover, if interest rates are increased in the future, then widespread indebtedness will throw millions into an even more perilous situation.

The extremely fragile state of personal finances means that millions of people face a catastrophic future. Joanna Elson, chief executive at the Money Advice Trust commented, “If the economy does indeed suffer in 2017, this borrowing could become more difficult to repay--and some households risk finding themselves exposed to sudden changes in financial circumstances."

This year is expected to be a turbulent one for the British economy, as the impact of last June’s referendum vote to leave the European Union (EU) continues to play out. Last year the *Financial Times* explained, “The sharp fall in sterling since the vote to leave the EU [European Union] is expected to push up inflation, bringing a renewed squeeze on real wages in the absence of meaningful pay increases.”

Many young people from low-income backgrounds are particularly vulnerable to indebtedness. Between 2015 and 2016, those aged 18-25 went from comprising 10 percent of all over-indebted lower-income working households, to 20 percent.

This owes a great deal to the combined skyrocketing costs of housing and plummeting conditions of employment faced by younger people. Writing on the subject in the *Financial Times* a year ago, economics correspondent Chris Giles explained, “a generational divide is emerging with younger people finding they generally have to borrow more and on extended terms to afford to house themselves like their parents.”

According to the Council for Mortgage Lenders, mortgages taken out in 2015 were worth £175,500, up from £126,000 10 years earlier.

Students must consign themselves to a lifetime of debt and insecure living for the “privilege” of receiving higher education.

As the disparity between total unsecured debt and unsecured debt--excluding student loans—shows, the financial burden incurred for attending university is now immense. Graduates are expected to leave university with an average debt of £44,000. This is before the planned rise in tuition fees for a large number of universities. Consequently, the Institute for Fiscal Studies estimates that an astonishing 70 percent of graduates will never fully repay their loans, instead making payments for 30 years until the loan is written off.

The intersection of the housing and student debt crises will have grave consequences. Sebastian Burnside, an economist at Natwest, explained, “Affordability checks done by mortgage lenders look at the borrower’s free income, after deducting loan repayments.”

TUC research produced last year revealed that a decade-long austerity programme aimed at slashing wages had pushed millions to rely on credit to cover essential costs.

Speaking earlier this month, TUC General Secretary Frances O’Grady commented, “Employment may have risen, but wages are still worth less today than nine years ago. The government is relying on debt-fueled consumer spending to support the economy, with investment and trade in the doldrums since the financial crisis.”

O’Grady’s comments deliberately conceal the role played by the unions in facilitating a disastrous situation in which millions are drowning in debt. In their efforts to create a “competitive” economy, successive governments have relied on the services of the trade union bureaucracy in sabotaging strikes and implementing cuts to pay and working conditions.

Overall, the pile up of debt among the population--particularly among graduates and young people, is a damning indictment of capitalism. Working people, with little to no prospect of an improvement in their living standards in the next period, are nonetheless forced to take out loans against an uncertain future, in an effort to provide for themselves and their families today.